

Business case for regular revision cycle for ISIC and CPC

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The 55th Session (2024) of the United Nations Statistical Commission (2024 recommended more frequent revision of the International Standard Industrial Classification (ISIC) and the Central Product Classification (CPC) so that they accurately mirror economic realities and aid in effective policymaking. The Commission also noted the recommendation by the UN Committee of Experts on International Statistical Classifications (UNCEISC) of a five-year revision cycle but also acknowledged the concerns expressed about revising that frequently. The commission charged the UNCEISC with submitting a report by 2028 that proposes a way forward for implementing a regular revision cycle(s) for ISIC and CPC.

This note reviews the motivations for a regular revision cycle that led to the UNCEISC recommendation.

Maintains relevance of the classification and improves accuracy. Regular revision ensures that classifications remain contemporary and relevant to meet the needs of data users, data producers, and policy makers. Rapid commercial evolutions enabled by technology necessitate regular review by compilers of official statistics. Data users demand both stability AND relevance. Greater relevance provided by a regular revision cycle also allows for better understanding of emerging activities and products and their contribution to the economy. Regular revision cycles strike a balance between consistency and relevance. As the economy and society are constantly evolving, with new economic activities and products (among other things) emerging, and existing ones changing. Regularly revising classifications ensures they reflect this dynamism, leading to more accurate data collection and analysis.

Fosters sustainability of statistical infrastructure, budgets, work programs, etc. Regular revisions allow statistical programs that rely on industry and product benchmarks to plan for routine updates. This is important for the purposes of budgeting, staffing, training, and planning upgrades to processing systems. Regular classification updates become woven into the DNA of statistical offices this way.

Conditions expectations of data users. Those seeking changes know when the next revision is coming and can prepare proposals, gather supporting evidence, plan engagement with NSOs. Data users also when to anticipate revisions to their own processes.

Reduces burden and scope of revisions. When classifications are reviewed irregularly or only at long intervals, this raises the stakes and burden of each revision because the next opportunity for a change is a long way off. Long gaps between revisions also means more issues accumulate during the interval, resulting in revisions of significant scale and scope. Whereas a regular revision process provides impetus for compiling a research agenda and regular working of the items on the agenda. While shortening revision cycles may cause some initial disruption, a stable and shorter cycle provides a predictable timeframe for various organizations (including NSOs, businesses,

governments NPOs) to adjust their reporting systems. This minimizes the long-term burden of adapting to sudden or infrequent (often large) changes.

Maintains institutional muscle memory. Implementing a classification revision is complex work. When the interval between revisions is long, (e.g., ten years or more) statistical offices are less likely to have staff with experience with prior revisions, making managing a revision more difficult. Under a regime of regular revisions, organizations will be able to maintain capacity and draw upon an institutional memory which greatly facilitates implementation and management of ruling requests, in particular when a standing task team is in place.

Harness opportunities enabled by technology. Advancements in modern technology, especially artificial intelligence and semantic web technologies can be leveraged to hasten implementation of international statistical classifications with proper support. Incorporating these advancements, e.g., Simple Knowledge Organization System (SKOS), reduces the burden of revising classifications, thus facilitating regular updates.

Enhances comparability. A stable revision cycle allows for consistent comparisons over time. This is crucial for tracking (economic) trends, analyzing (industry) performance, and informing policy decisions. Trying to compare definitions and scope of classification categories with data from 15-20 years ago can be challenging, since definitions and characteristics of activities and products may have had significantly changed. Concordance tables between versions ensure comparability for time-series analysis.

Increases user confidence. Regularly revised statistical classifications demonstrate a statistical organization's commitment to providing the most accurate and up-to-date data possible. This builds trust among data users, including policymakers, businesses, and researchers.

Experience of North America. Canada, Mexico, and the United States have reviewed the full NAICS structure every five years since its adoption in 1997. Each 5-year review resulted in trilateral revisions, most recently in 2022. Even as NAICS matured and stabilized over a quarter century, the three countries always find something to revise. The 2022 revision notably eliminated the internet-only industries in publishing and retail trade which had been introduced in previous revisions. The 5-year frequency aligns with the periodicity of the economic census in Mexico and the U.S. Data collection experience from both informs the next revision.

In Canada, the Business Register and many other economic statistical programs have aligned to the NAICS 5-year revision without a significant issue in statistical production and dissemination (it has happened that the NAICS Canada was revised twice within the same 5-year revision cycle).

Questions for the committee. If regular revision cycles for ISIC and CPC are adopted:

1. What is the appropriate frequency of revision? ISIC and CPC have been revised at variable 15- to 20-year intervals. What factors should the standing task team consider when evaluating this?

2. What is the appropriate scope of a regular revision? Is it practical to limit the scope of review?
 - a. Comprehensive revision
 - i. All content, including structure (with an impact on the scope), definitions, examples, principles, etc.
 - b. Limited revisions
 - i. Changes limited to class or lower levels of structure, i.e., not major structural changes (though lower-level changes can still be 'disruptive').
 - ii. Technical adjustments to explanatory notes and examples.